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For file

Niagara Structural Steel

ST. CATHARINES

Annual Report

FOR THE YEAR ENDED AUGUST 31

1970



Photo courtesy: Gulf Oil Canada Limited

OIL TERMINAL WHARF — POINT TUPPER, NOVA SCOTIA

DEPARTMENT OF PUBLIC WORKS OF CANADA. STEEL SUPPLIED AND ERECTED BY "NIAGARA" FOR C. A. PITTS CONSTRUCTION EASTERN LIMITED. THE STRUCTURE IS DESIGNED TO ACCOMMODATE VESSELS OF THE 320,000 D.W.T. CLASS.

**NIAGARA STRUCTURAL STEEL
COMPANY LIMITED**

DIRECTORS :

B. A. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
E. D. SCOTT
H. P. TOMARIN

OFFICERS :

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Senior Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
ELLARD W. YEO, C.A., Treasurer

HEAD OFFICE & GENERAL SALES OFFICE :

SMITH & PETRIE STREETS
ST. CATHARINES, ONTARIO

AUDITORS :

DAVID B. FINE & COMPANY
TORONTO, ONTARIO

SOLICITORS :

OLCH, TORGOV & COHEN
TORONTO, ONTARIO

REGISTRAR AND TRANSFER AGENT :

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed : The Toronto Stock Exchange

THE YEAR IN REVIEW

Your Directors herewith submit the Annual Report of your Company for fiscal year ended August 31, 1970.

Features of fiscal 1970:

- Net profit of \$84,688 after providing for income taxes of \$46,457 — compared with net profit for fiscal 1969 of \$47,193.
- Sales volume of approximately \$10,300,000 — compared with approximately \$8,570,000 for fiscal 1969.
- Four quarterly dividends paid to first preference shareholders to a total of \$32,768.
- Earnings per common share of 10.67¢ after first preference share dividends but before extraordinary loss on disposals of fixed assets — compared with 3¢ for fiscal 1969.
- Profit before provision for income tax of \$131,145 compared with \$85,514 for fiscal 1969 (restated).
- \$12,000 allocated to the share purchase fund to be used for the purchase and retirement of 2% of the total issued first preference shares.
- Disposition by subsidiary Northern Steel (Nfld) Ltd. of plant at Wabush, and first profit from operations at Sept Iles, Quebec, by subsidiary Northern Steel Co. Ltd.

In our review of the results for fiscal 1969, we predicted improvement for fiscal 1970. We are gratified that results from operations bear out that prediction. We are pleased to report that Management is predicting a continuation of the profit improvement throughout the coming fiscal year, both at St. Catharines, Ontario, and at Sept Iles, Quebec.

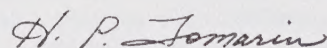
Major Projects completed by Niagara during 1970 included Dofasco Blast Furnace Complex for Arthur G. McKee and Company at Hamilton; Dept. of Public Works Oil Terminal Wharf for C. A. Pitts at Point Tupper, N.S.; Building #53 Stamping Plant for General Motors at Oshawa; Expansion of Manufacturing Facilities for the Budd Company of Canada at Kitchener.

Included in the present backlog are Atomic Energy of Canada Heavy Water Plant for Lummus Co. of Canada Ltd. at Douglas Point; "E" Line Buildings, North and South, at General Motors of Canada Ltd. for Newman Bros. Ltd. at St. Catharines; Process Pipe Trestle at Clarabelle Mine for International Nickel Company of Canada Limited at Copper Cliff.

Your Directors must record their sincere appreciation for the dedicated services of management and all employees over the past year.

Respectfully submitted

on behalf of the Board of Directors,



H. P. TOMARIN
President

January 7, 1971

NIAGARA STRUCTURAL STEEL COMPANY
CONSOLIDATED

A S S E T S

	AUGUST 31	
	1970	1969
Current		
Cash	\$ 48,253	\$ 14,328
Accounts receivable, less allowance for doubtful accounts	2,330,556	2,282,640
Income taxes recoverable	5,964	114,210
Current portion of long term asset due within one year (Note 10)	6,682	
Inventories of steel, work in process and sundry materials at lower of cost or net realizable value	1,988,494	1,999,783
Prepaid expenses	62,572	68,474
	<u>\$4,442,521</u>	<u>\$4,479,435</u>
Long Term Asset		
Balance owing on building pursuant to an agreement of sale (Note 10)	<u>\$ 76,620</u>	
Fixed		
Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures (Notes 2 and 10)	\$2,070,843	\$2,274,722
Less — accumulated depreciation (Note 3)	584,822	524,508
	<u>\$1,486,021</u>	<u>\$1,750,214</u>
Other		
Incorporation and issue expenses, less amortization (Note 4)	\$ 44,000	\$ 48,000
	<u>\$6,049,162</u>	<u>\$6,277,649</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1970 and the consolidated statements of operations, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, retained earnings and source and use of funds present fairly the financial position of the Companies as at August 31, 1970 and the results of their operations and the sources and uses of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

DAVID B. FINE & COMPANY,
Chartered Accountants.

Toronto, December 21, 1970.

LIABILITIES

	AUGUST 31	
	1970	1969
Current		
Bank advances (secured) (Note 6)	\$1,249,384	\$1,172,174
Accounts payable and accrued liabilities	1,911,667	2,110,458
Income and other taxes payable	69,625	100,717
Advances on construction in progress	184,851	157,086
Long term debt due within one year (Notes 5 and 7)	55,900	55,900
	<u>\$3,471,427</u>	<u>\$3,596,335</u>
Long Term Debt		
Bank loan (secured) (Note 5)	\$ 318,575	\$ 370,475
7% Mortgage payable, due December 31, 1972 (Note 7)	6,500	10,500
Balance owing on land pursuant to an agreement of purchase, due December 31, 1970 (Note 10)		12,000
	<u>\$ 325,075</u>	<u>\$ 392,975</u>
	<u>\$3,796,502</u>	<u>\$3,989,310</u>

SHAREHOLDERS' EQUITY

Capital Stock					
Authorized:					
50,000	First preference shares with a par value of \$30 each, issuable in series				
(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (Note 9)				
(1,446)	First preference shares, series A converted into common shares (Note 12)				
<u>46,804</u>	Balance authorized				
1,000,000	Common shares without par value				
Issued and fully paid:					
1970	1969				
20,000	20,000	6½% cumulative, redeemable, convertible first preference shares, series A with a par value of \$30 each, redeemable at \$31.50 (Note 11)	\$ 600,000	\$ 600,000	
(1,750)	(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (Note 9)	(52,500)	(52,500)	
(1,446)	(1,446)	First preference shares, series A converted into common shares (Note 12)	(43,380)	(43,380)	
<u>16,804</u>	<u>16,804</u>	Balance outstanding	<u>\$ 504,120</u>	<u>\$ 504,120</u>	
475,007	475,007	Common shares without par value	\$ 997,507	\$ 997,507	
11,568	11,568	Common shares issued on conversion of first preference shares, series A (Note 12)	43,380	43,380	
<u>486,575</u>	<u>486,575</u>	Balance outstanding	<u>\$1,040,887</u>	<u>\$1,040,887</u>	
Excess of net asset value of subsidiary over purchase price of shares at date of acquisition			\$ 193,897	\$ 193,897	
Contributed surplus (Note 9)			5,553	5,553	
Retained earnings			483,150	530,829	
First preference shares, series A purchase fund (Notes 9 and 13)			25,053	13,053	
			<u>\$2,252,660</u>	<u>\$2,288,339</u>	
			<u>6,049,162</u>	<u>\$6,277,649</u>	

Approved on behalf of the Board:
 Director: H. P. Tomarin
 Director: Harry W. Olch

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED AUG. 31 1970	1969
Net sales	\$10,301,827	\$8,570,758
Cost of sales and expenses	9,911,212	8,262,954
Profit from operations before providing for the undernoted items	<u>\$ 390,615</u>	<u>\$ 307,804</u>
Provision for depreciation (Note 3)	\$ 76,113	\$ 83,008
Remuneration of directors and senior officers	140,437	112,851
Interest on long term debt	42,920	26,431
	<u>\$ 259,470</u>	<u>\$ 222,290</u>
PROFIT (Before income taxes)	\$ 131,145	\$ 85,514
Deduct: Provision for income taxes	46,457	39,129
NET PROFIT (Note 14)	<u><u>\$ 84,688</u></u>	<u><u>\$ 46,385</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUG. 31 1970	1969
Balance at beginning of year	\$ 530,829	\$ 532,457
Add: Net profit for year (Note 14)	84,688	46,385
	<u>\$ 615,517</u>	<u>\$ 578,842</u>
Deduct: Net loss or (profit) on disposals of fixed assets	\$ 83,599	\$ (808)
Incorporation and issue expenses, amount written off (Note 4)	4,000	4,000
Dividends on preference shares	32,768	32,821
Amount transferred to first preference shares series A purchase fund (Note 13)	12,000	12,000
	<u>\$ 132,367</u>	<u>\$ 48,013</u>
Balance at end of year	<u><u>\$ 483,150</u></u>	<u><u>\$ 530,829</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	YEAR ENDED AUG. 31 1970	1969
Source of funds:		
Net profit from operations	\$ 84,688	\$ 46,385
Depreciation (a charge not requiring a cash outlay)	76,113	83,008
Funds from operations	<u>\$ 160,801</u>	<u>\$ 129,393</u>
Repayment of special refundable tax		11,724
Income taxes recoverable		114,210
Increase in long term debt		200,000
Proceeds from disposals of equipment	35,489	1,102
Proceeds from disposal of building (less an amount of \$76,620 not due within one year)	11,380	
	<u>\$ 207,670</u>	<u>\$ 456,429</u>
Use of funds:		
Cost of additions to fixed assets	\$ 31,008	\$ 58,860
Repayments on long term debt	55,900	55,900
Dividends on preference shares	32,768	32,821
	<u>\$ 119,676</u>	<u>\$ 147,581</u>
Increase in working capital	<u><u>\$ 87,994</u></u>	<u><u>\$ 308,848</u></u>

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AUGUST 31, 1970

1. The consolidated financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies which are all wholly owned.
2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary, Niagara Structural Steel (St. Catharines) Limited, were appraised at a depreciated value of \$1,439,547. The directors of that subsidiary company, however, placed a value on these assets of \$1,428,697 and an excess of \$913,165 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.
3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.
4. The cost of incorporation and issue expenses is being amortized at the rate of \$4,000 per year.
5. Bank term loan is for a period of five years, subject to annual review by the bank, and matures on March 5, 1974.

Principal balance bearing a floating interest rate of 1¼% over the bank's current prime rate	\$370,475
Deduct: payments due within one year included in current liabilities	51,900
	<u>\$318,575</u>

This bank term loan is secured by a pledge of demand debenture subject to the provisions of a loan agreement. The debenture constitutes a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings referred to in Note 7 following, and to the Company giving security in priority to the debenture to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. The bank term loan is repayable as to principal in monthly instalments of \$4,325 plus interest.

6. Advances by the general bankers are secured by a pledge of accounts receivable and inventories. In addition a \$1,250,000 demand debenture has been issued to the general bankers as collateral security consisting of a floating charge on all the assets of the Company subject in priority to the debenture referred to in Note 5.
7. The Company owns a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of \$21,000, bearing interest at 7% per annum and repayable \$2,000 quarter yearly on account of principal plus interest.

Principal mortgage balance, one-half share	\$ 10,500
Deduct: payments due within one year included in current liabilities, one-half share	4,000
	<u>\$ 6,500</u>

8. Contingent liability:

Letters of credit, balance outstanding	<u>\$ 57,504</u>
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9. The Company did not purchase during the current year any First Preference shares, Series A for cancellation. The total number of First Preference shares, Series A with a par value of \$30 each purchased for cancellation out of the purchase fund set aside up to the close of the current fiscal year, is 1,750 shares purchased at a total cost of \$46,947. The difference of \$5,553 has been credited to contributed surplus.
10. The subsidiary, Northern Steel (Nfld) Limited, has entered into an agreement to sell for a consideration of \$88,000 the building at Wabush Mines, Labrador. The amount is payable in 120 consecutive monthly payments of \$1,000 each including principal and interest at 6½% per annum, such payments to commence on January 1, 1970. The agreement to purchase, for the sum of \$12,000, the lands upon which the building was erected, has been rescinded and the subsidiary was released of this liability.

Principal balance pursuant to an agreement of sale	\$ 83,302
Deduct: payments due within one year included in current assets	6,682
	<u>\$ 76,620</u>

11. The number of common shares issued will be increased in the event of conversions of the 6½% cumulative redeemable convertible First Preference shares, Series A, pursuant to the conversion rights attached to such shares.
12. Up to the close of the current fiscal year, 1,446 First Preference shares, Series A have been converted into fully paid Common shares without par value and 11,568 Common shares were issued on such conversion on the basis of eight Common shares for each one First Preference share, Series A.
13. The Company has set aside out of profit to the credit of the Preference share purchase fund the amount of \$12,000 in accordance with the maximum requirements of the conditions attached to the First Preference shares, Series A.
14. The net profit for the year ended August 31, 1969 has been restated to exclude the net gain of \$808 on disposals of fixed assets. The net gain has been shown in the statement of retained earnings.
15. The Company has undertaken to grant, to certain officers and full-time key employees, options to purchase up to a total of 45,000 common shares in its capital at \$3 per share, such options to be exercised within such periods as the directors may determine.

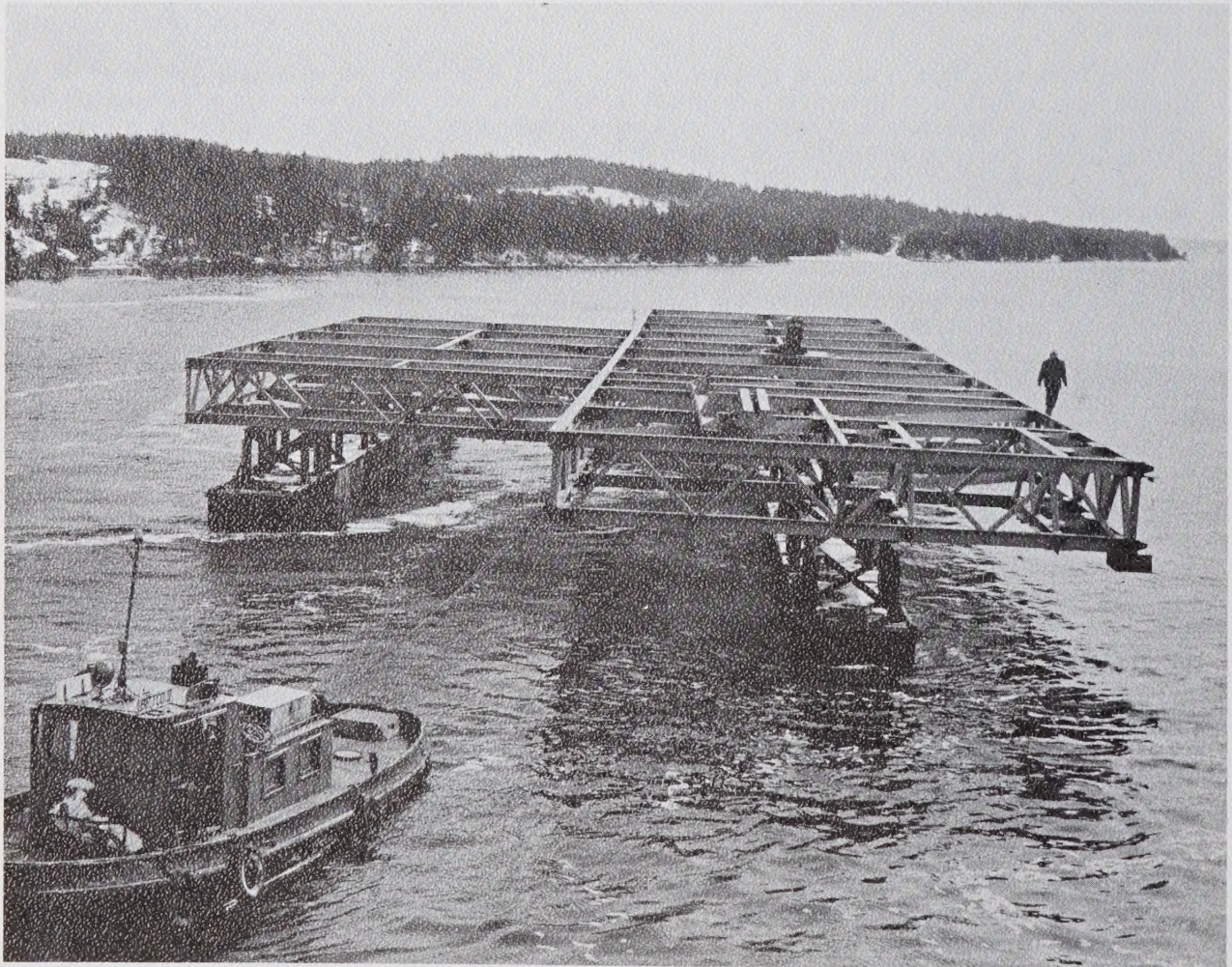


Photo courtesy: Gulf Oil Canada Limited

OIL TERMINAL WHARF — POINT TUPPER, NOVA SCOTIA

200 TON SUB-ASSEMBLY IS TOWED INTO POSITION. "NIAGARA" ASSEMBLED LARGE SECTIONS OF SUB-STRUCTURE ON SHORE AND ERECTED SEGMENTS IN POSITION UTILIZING THE TIDES.

